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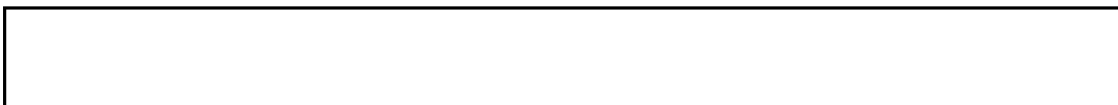
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*EGYPT-USSR: President Sadat renewed his criticism of the USSR during a speech yesterday, but tempered it somewhat with assertions of continued friendship. Sadat's line indicates that he is determined, regardless of the Soviets' reaction to his public references to them, to maintain his independence while attempting to smooth out what he terms "misunderstandings."

Sadat said that he has written to Soviet party leader Brezhnev four times in the past six months with "basic and essential demands"--obviously for arms--but has consistently been informed that these requests are "being studied." Although he did not link his decision to diversify Egypt's source of arms directly with the Soviets' failure to respond, he announced that diversification had already begun.

The impasse over arms shipments from Moscow, Sadat said, is only a misunderstanding between friends, but he expressed "regret" and puzzlement over the reason for the difficulty. In offering his own conjecture, Sadat made it clear that he does not intend to change the policies Moscow has objected to. Perhaps, he hinted, Moscow is withholding arms because it believes Egypt is abandoning socialism, liberalizing its economy, or improving relations with the US and the West. These are matters that concern only Egypt, Sadat asserted, and comment on them from outside Egypt "shows bad taste."

Although he did not offer any justification of his domestic policies that would mollify the Soviets, Sadat did explain his improved ties with the US in terms that might be designed to ease Moscow's misgivings about its future position in Egypt. Using a line he has put forth frequently in recent weeks, Sadat said Egypt does not want hostile relations with any state unless that state "begins to antagonize us," and, he added, Egypt will not befriend one state at the expense of any other. In this context he referred specifically to the US and the USSR.

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Cairo's aim, Sadat said, is to establish a "positive neutrality" between the two super powers that would be in line with the detente they have reached themselves, and he cannot be blamed if "some people" do not understand this. It was on the basis of this desire for a greater balance in Egypt's international relations that Sadat said he had decided to diversify its source of arms. For the benefit of those in Egypt who are concerned with the new trend in foreign relations, Sadat appealed for confidence in his ability to see where Egypt's best interests lie and to avoid being "tricked" by either the US or the Soviets.

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ISRAEL-SYRIA: Syrian aircraft struck Israeli ground positions yesterday for the first time since the October war. A Syrian spokesman claimed that the strikes inflicted "huge" losses on Israeli forces in the Mount Hermon area and at other locations along the front.

Tel Aviv confirmed that the strikes occurred, but played down their significance. According to an Israeli military spokesman, the attacks lasted only "a couple of minutes" and only one soldier was wounded. He claimed, in contrast, that Israeli sorties over the front lasted more than five hours. Israeli fighters attempted to engage the Syrian aircraft but could not make contact.

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*ICELAND: The opposition parties, aided by dissident government deputies, may attempt to bring down the center-left government in the next few days.

The conservative Independence Party, Iceland's largest, and its partner in opposition, the Social Democratic Party, may force a vote of confidence on an economic issue prior to April 27, when parliament adjourns for the summer. If successful, party leaders would opt for new elections rather than try to form a new coalition based on current party strengths in parliament.

Foreign Minister Agustsson, whose Progressive Party forms the nucleus of the government coalition--which also includes the Liberal Left Organization and the Communists--was in Washington last week for the third round of negotiations concerning the US-manned NATO base at Keflavik. Agustsson reportedly is resigned to the possible change in government, which has been rumored for more than a year, and hopes to secure the post of ambassador to London.

The two opposition parties must increase their mandates in the new elections or they will lack a majority. They may intend to seek the support of the Liberal Left Organization and perhaps some disaffected Progressives to improve their power base. If they are successful, the chairman of the Independence Party, Gier Hallgrimsson, probably will become the new prime minister and Social Democratic Chairman Gylfi Gislason the new foreign minister.

A continued government crisis at this time could detract from Iceland's 1,100th anniversary this summer. Nevertheless, the accession to power of a moderate coalition would improve prospects for negotiating a base agreement with Iceland that would enable the US to continue to maintain a sizable complement of forces at Keflavik.

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Regardless of what happens during the current session of parliament, the next round of base negotiations is not anticipated before parliament recesses, and could be put off until next fall. [REDACTED]

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**Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.*

JAPAN-CHINA: Japan and China will sign a civil aviation agreement in Peking sometime today or Saturday, according to a Japanese cabinet spokesman.

The decision came at a cabinet meeting this morning following Foreign Minister Ohira's confirmation that talks with the Peking negotiators had been concluded successfully. Ohira will meet with the Liberal Party's Executive Council this afternoon to seek its approval. The Council is expected to approve the agreement.

On Taiwan, the Nationalist Chinese Foreign Ministry issued a statement announcing that last minute talks between Taipei and Tokyo had produced no results. The announcement indicated that Taipei expected Tokyo to sign the agreement with Peking.

Taipei warned Japan that if it "makes any statement or takes any action" detrimental to the dignity and interests of the Republic of China, Taiwan would terminate air services between Taiwan and Japan. This warning probably refers to a statement Ohira is expected to make when the Peking agreement is signed regarding arrangements for continuing Japanese air service to Taiwan. [REDACTED]

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*ETHIOPIA: The military is again demonstrating its impatience with the government for its failure to arrest and prosecute corrupt ministers of the previous cabinet.

Representatives of the armed forces who are holding meetings in Addis Ababa demanded yesterday that the ministers at least be placed under immediate house arrest. The demand was delivered directly to Prime Minister Endalkatchew in a question-and-answer session following a speech in which the Prime Minister appealed to the armed forces to live up to their responsibilities during the present crisis. According to one press report, the Prime Minister told the military representatives that he had already placed the ministers under house arrest, but this report has not been confirmed elsewhere.

If the arrests have not been made, the military may take direct action to back up its demand, such as detaining the ministers in question or seizing a major city or military installation. Official corruption was one of the main factors behind the initial military revolt in February. The new government's failure to act quickly on the issue led to a renewal of military unrest late last month. Emperor Haile Selassie then appointed a commission of inquiry to investigate the corruption charges, but the military is impatient with the commission's slow progress. The military representatives, who have been meeting for the past three days, continue to affirm their loyalty to the Emperor, but the detention of officials that he appointed to office would further erode his prestige.

The former ministers, a number of whom are aristocrats, are probably using their remaining influence to delay the corruption inquiry. The government's decision on the matter should give some indication of how much influence they still have.

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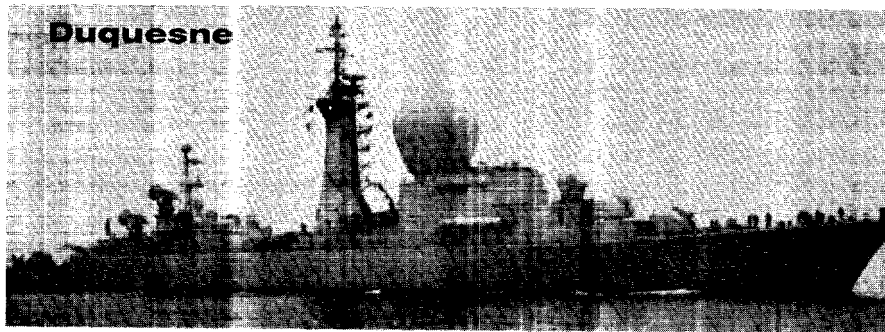
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EUROPEAN COMMUNITIES: West German Foreign Minister Scheel has scheduled an informal meeting of the foreign ministers of the Nine for this weekend, possibly in an effort to "educate" British Foreign Secretary Callaghan as to the importance of EC ties.

A British Foreign Office official has described the approaching meeting as a "sort of family get-together," with no formal agenda. The principal topics of discussion are expected to be the current state of the community, the future of EC political cooperation, EC-Arab cooperation, and the problem of consultation with the US.

The interregnum in France is clearly forcing the community to mark time on a number of fronts. Bonn hopes this pause may give the new British Government time to obtain a better understanding of the interdependence of the EC states, particularly in the economic and financial areas. The West Germans point to the financial and budgetary hurdles ahead for Callaghan and the UK's need for German cooperation.

Several observers have reported that Callaghan obviously derived satisfaction from the political consultations at the foreign ministers' meeting in Luxembourg on April 1 and 2, although he showed disdain for any commitment to European union by 1980. He exhibited particular distaste for the intricate discussions of strictly community matters. EC leaders may hope to capitalize on Callaghan's interest in the political aspects of the community to persuade him to be cautious in implementing Labor's pledge to "renegotiate" the UK's membership in the EC.



Displacement	6,000 tons, full load
Length	517 feet
Speed	34 knots
Radius	5,000 miles at 18 knots
Complement	446 personnel
Air defense weapons	"Masurca" twin launcher surface to-air missiles
Anti-submarine weapons	"Malafon" rocket/homing torpedoes

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FRANCE - INDIAN OCEAN: The French Navy is sending a squadron of three ships to the Indian Ocean in late April for a cruise of about six months. The force will be led by France's most modern guided-missile frigate, the Duquesne. A radar-picket destroyer and a supply ship will accompany the frigate. The last time France sent this large a force to the Indian Ocean was in 1972.

A naval presence is the principal means by which Paris is able to demonstrate support for French interests in the western Indian Ocean. The three ships will probably exercise with two destroyer escorts that France has permanently assigned to the area. The destroyer escorts operate out of Diego Suarez, a port in the Malagasy Republic.

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The exercise will allow the French Navy to "show the flag" as well as to test the ability of its ships to operate at sea, far from their normal bases, for a relatively long period of time.

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USSR: Minister of Agriculture Polyansky discussed a wide range of agricultural issues during a recent protocol visit by US Ambassador Stoessel.

The Minister offered no estimate of this year's grain output, and he was highly skeptical of any attempts to predict the level of agricultural output in the Soviet Union, declaring that Soviet weather forecasters were more often wrong than right. He described the condition of the winter grain as "not bad" and maintained that spring sowing was progressing well. He said that soil moisture conditions in the Volga region, primarily a spring-grain area, are better than at any time during the past 10 years. Significantly, no mention was made of the very dry conditions prevailing throughout the Ukraine, primarily a winter-grain area.

Polyansky noted that as many as 15 years would be needed to accomplish the goals set for the non-black-soil region under Brezhnev's new program. He also said that the Soviet Union intended to create large-scale poultry, beef, dairy, and hog complexes.

Polyansky expressed satisfaction with the progress of the US-USSR agricultural exchange agreement, and brushed aside a reminder that Soviet trade data had not been forthcoming.

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GREECE-TURKEY: Tensions between Greece and Turkey that arose over rival claims to possible oil resources in the Aegean seabed have abated somewhat. Most of the media in both countries have moderated their coverage of the dispute.

Athens, which has maintained an extremely hard line on the issue, this week sent a senior Foreign Ministry official to New York, where he is scheduled to discuss outstanding bilateral problems with Turkish officials. This action suggests that Greece is prepared to respond to Ankara's call in late February for discussions on the seabed problem.

Ankara from the start has taken a calmer approach to the issue. Although it insists that it would respond severely to Greek interference in any Turkish exploration operations, high Turkish officials have asserted that the problem should be solved peacefully.

More harsh words on the issue are still possible, and military elements on both sides are probably still alert to any contingency. Should exploratory work begin, there is even some danger that preliminary surveys in the disputed waters might spark incidents. On the other hand, actual drilling is likely to be delayed by a worldwide shortage of offshore oil rigs. Available rigs over the next few years will probably be committed to other major fields, notably the North Sea and Southeast Asia.

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COLOMBIA: Liberal Party candidate Alfonso Lopez Michelsen is favored to defeat Conservative Alvaro Gomez Hurtado in Sunday's presidential election. Populist candidate Maria Eugenia Rojas de Moreno, daughter of former dictator Gustavo Rojas Pinilla, will probably run a poor third.

Virtually the only campaign issue has been the economy. Lopez has attacked the inflation, food shortages, and budget deficits of the incumbent Conservative administration. Gomez has been vague and defensive, championing generalized economic development. Mrs. Moreno has promoted herself as an alternative to the Liberal-Conservative establishment, promising "Colombian socialism."

This will be Colombia's first authentic presidential election in 24 years. Since 1958 the country has been governed by the National Front coalition--in which the Liberals and Conservatives alternately fielded a presidential candidate. Prior to that, Rojas Pinilla ruled for four years.

Violence between Liberals and Conservatives, although on a much smaller scale than that which prompted Rojas' coup in 1953 and led eventually to the creation of the National Front, has appeared sporadically during the campaign. The government will probably be able to prevent serious episodes of violence during the election period.

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Israel: The Israeli Labor Party's five-member selection committee will meet today to decide on a list of candidates to succeed Mrs. Meir as party leader. The list will be submitted to the party's Central Committee on Sunday. In an effort to narrow down the contenders, Labor Party Secretary General Yadlin yesterday talked to prospective candidates Deputy Prime Minister Alon, Justice Minister Zadok, Foreign Minister Eban, Labor Minister Rabin, Haifa Mayor Almogi, and Information Minister Peres. Only Peres, a member of Dayan's Rafi faction, has openly expressed an interest in the job, but the others clearly are also available. Peres, however, has a very slim chance of being selected.

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Libya: Prime Minister Jallud will visit Spain soon, according to a Spanish newspaper. The trip, part of Tripoli's effort to gain greater access to European technology and arms in exchange for oil, may be followed by a visit to Moscow, which has been planned since early January.

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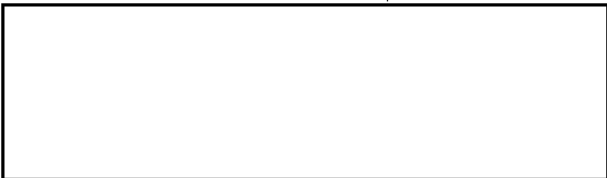
Warsaw Pact: Party and government leaders of the seven Warsaw Pact states this morning issued a least-common-denominator communiqué on their just-concluded, two-day meeting at Warsaw. The statement by the Pact's political consultative committee places the expected heavy emphasis on detente and on European subjects, especially the CSCE negotiations at Geneva, but offers no hints of any new departures in the Pact member-states' policies.

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